EXHIBIT 2 TO COUNTERDEFENDANTS' REQUEST FOR JUDICIAL NOTICE

(Part 4 of 4)

EXHIBIT H

MercuryNews.com

By Peter Delevett

Posted: 10/26/2011 06:22:47 AM PDT, Updated: 10/26/2011 10:22:09 AM PDT

Nirav Tolia was still in his 20s when he co-founded high-flying startup Epinions, which let users ask questions and post opinions about everything from books to banks to baby strollers. It became one of the bright lights of the dot-com era -- raking in millions of venture capital dollars, going public in spectacular fashion and eventually selling to eBay (EBAY) for $600 million.

Along the way, Tolia helped lay the groundwork for Web 2.0 by blazing the "user generated content" trail now followed by companies like Yelp and Quora. Now he's hoping to show the social networking types that an old pro can still play the game: On Wednesday, he'll unveil his latest startup, Nextdoor.

Tolia describes the site as "the intersection between social and local." Part Facebook, part Craigslist, with a smattering of Evite, it lets users create social networks specific to their neighborhoods, then swap safety tips, troll for merchant recommendations or find homes for unwanted second-hand goods.

"It's Facebook for your neighborhood," said Bill Gurley, a partner at Benchmark Capital, which is backing the site and previously bankrolled Epinions.

Lest anyone ask why the world needs another social network, Tolia said that while Facebook's sprawling community is good for catching up with far-flung friends and LinkedIn helps keep track of your business contacts, neither is focused by geography.

"These days, we've lost touch with our neighbors," he said, citing a 2010 study by the Pew Research Center that found 60 percent of Americans didn't know the people who lived nearby.

After a yearlong beta, the site is already up and running in more than 200 neighborhoods around the country, including dozens in the Bay Area.

"I'm not one of the active, active users of it, but I've got to say, it's pretty cool," said Andrew Bales, who lives in San Jose's Palm Haven neighborhood. The president of Symphony Silicon Valley said he's been on the service for a few months and uses it to keep abreast of neighborhood happenings, crime and traffic.

Click photo to enlarge

On Wednesday, Nirav Tolia will publicly unleash his latest startup, Nextdoor.... (Dai Sugano)

« 1 2 3 4 5 »

Tolia said the site goes beyond neighborhood email listservs by giving users a simple and visually appealing interface and search tools. The key, he added, is software developed by an early Google (GOOG) Maps employee that makes sure only people who live in a specific neighborhood are able to join its network -- giving users a level of privacy that sites like Facebook don't.

Depending on how much information a given user chooses to put in his or her profile, the mapping feature also lets neighbors see who lives in the homes around them.

Someone in the Stanford Hills neighborhood of Menlo Park was recently offering a free pair of black boots for a Halloween costume. A user in Hamilton, New York had invited neighbors to a "wet-felting workshop."

Tolia said many of those neighborhoods have joined Nextdoor virally: Anyone can invite a friend via email to join the site and set up a network in his or her community. (For neighbors who don't have email, Nextdoor will even drop an invitation postcard in the mail.)

Redwood City officials use the site to broadcast messages to residents in the 22 neighborhoods that have launched Nextdoor networks. And Tolia eventually plans to make money by allowing local merchants -- from mom-and-pops to big companies with a presence in a given area -- to offer specials to neighbors.

Nextdoor also is busy with plans for a mobile application that will let users check in while on the move. The San Francisco company has fewer than two dozen employees, about half of whom used to work at Epinions, Tolia said.

He's not exactly chummy with all of his former coworkers: The other co-founders of Epinions in 2005 sued Tolia, Gurley, Benchmark and the company's other venture capital backers, claiming they'd been cheated out of millions when Tolia engineered the merger of Epinions into Shopping.com, which eBay later acquired. The auction giant settled the suit for an undisclosed sum.

Tolia, who had worked at Yahoo (YHOO) before becoming an entrepreneur, doesn't shrink from questions about the scandal. "Things happen in companies," he said, "and sometimes people end up on different sides."

Sarah Leary, the former vice president of marketing at Epinions, certainly didn't hold the past against Tolia: She's Nextdoor's co-founder, and she approaches the job with an idealist's fervor.

"Most of these people have never met their neighbors before this," she said of the site's users. "Now when people ask them where to find a good dry cleaner, they love the idea of being the helpful neighbor."

EXHIBIT I

WIKIPEDIA
The Free Encyclopedia

Bret Taylor

From Wikipedia, the free encyclopedia

Bret Taylor is an American computer programmer and entrepreneur. He was the co-creator of Google Maps and the Google Maps API.[2][3] Taylor left Google in June 2007 to join venture capital firm Benchmark Capital as an entrepreneur-in-residence, where he and Jim Norris, another former Google employee, created the social network web site FriendFeed.[4][5] Taylor was the CEO of FriendFeed until August 2009, when the company was acquired by Facebook for an estimated $50 million.[6] Taylor is currently the CTO of Facebook.[7]

Bret Taylor

Taylor in July 2009

Born	1979/1980 (age 31–32)[1]
Residence	Mountain View, California
Education	Stanford University
Occupation	CTO at Facebook
Known for	FriendFeed, Google Maps

Website

bret.appspot.com

Taylor also co-wrote and maintains Tornado web server. The software was created at FriendFeed and was open-sourced after FriendFeed was acquired by Facebook in 2009.[8]

Taylor attended Stanford University, where he earned his bachelors degree (2002) and masters degree (2003) in computer science.[9][10]

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EXHIBIT J

The New York Times

Instant Company

By Po Bronson

Published: July 11, 1999

What were you doing 12 weeks ago?

Twelve weeks ago was Nirav Tolia's last day on a pretty enviable job. He is 27, and in addition to managing the marketing of Yahoo!'s E-commerce properties, he had represented the company on television more than 100 times. Almost nobody leaves Yahoo!, but Nirav Tolia had just heard a really interesting start-up idea from a friend, Naval Ravikant, who had recently left @Home. It took Tolia about one day to decide, and the following morning he resigned.

Soon after Tolia's last day at Yahoo! he and Ravikant were joined by one of the highest ranking engineers at Netscape, Ramanathan Guha, who was cooking up an idea very similar to Ravikant's on the back burner of his big brain. By the end of the week, they were five strong. Eleven weeks ago, despite not having a single line of code written or even a paper sketch of the Web site they wanted to build, they got $8 million in seed financing from venture capitalists -- half from Benchmark Capital, which had financed Ebay, and half from August Capital, where Naval Ravikant was camping out as entrepreneur in residence. This gave the start-up what is believed to be one of the highest seed-round valuations ever.

Nine weeks ago, they brought on Lou Montulli and Aleksander Totic, two of the original six founding engineers of Netscape. Eight weeks ago, they moved into a second-floor gabled loft in Mountain View, Calif., and began grinding out 15-hour days, seven days a week -- but of course these guys had done that before.

In a spring when it had started to seem to some Silicon Valley veterans that all the big original ideas were gone, theirs was a lightning rod for talent. The new director of business development, Dion Lim, began to cut deals with other Web sites to import their data feeds. Seven weeks ago, they started hiring category managers. Six weeks ago, it became clear to Guha that enough of the original programming was already done, and he could switch hats from coder to manager. Five weeks ago, their venture capitalist from Benchmark, Bill Gurley, came by the office for his first look-see. He was blown away: "This is, unequivocally, the fastest I have ever seen a start-up move."

Four weeks ago, they began to cut distribution deals; two weeks ago, they settled on their marketing plan, and now, having reached a critical mass of 31 people, they are set to launch their Web site.

In 12 weeks, the amount of time it might take an average person to decide what kind of hedge to plant in the backyard, they built a company from scratch. An instant company, or what is being called in Silicon Valley a "second-generation Web company."

Not so long ago, it seemed incredible that a Web company could be born in a mere two years. But rather than going back to normal, the pace of creation in Silicon Valley now seems to be speeding up even more. Any Web company that starts out today and takes two years to get up and running is likely to be left in the dust.

In first-generation Internet companies, the founder and a few college buddies moved into a garage that they decorated with Nerf guns and green army men. In second-generation Internet companies, the staff coalesces not from friendships but from respect for mutually complementary skill sets. They skip the garage phase, engage two real-estate brokers and make simultaneous bids on three office spaces, hoping one comes through. They move in over the weekend and by Monday have it decorated with Nerf guns and green army men.

In first-generation Internet companies, the staff resigned from monolithic software corporations or took leave of business school or jumped ship on brand-manager positions at Procter & Gamble. Nobody had Internet experience; they learned by making mistakes, of which there were many. The purpose of the Internet was unclear. Now, companies are being formed by staff members who have years of know-how. And they see the Internet, above all, as a place to buy things. Some $301 billion was generated by the Internet economy in 1998, with an annual growth rate over the past four years of 174 percent.

Because of the way high-tech employees are compensated, there are likely to be a great number of second-generation start-ups in the next year. The notorious stock options that add up to so much paper wealth usually take four years to fully vest. For the early movers on the Internet, the four years are coming up. And the golden handcuffs are coming off.

This particular second-generation internet company has managed to recruit top people who were still handcuffed -- what people in the Valley call "the unhirables." Naval Ravikant walked away from what at the time was $4 million worth of unvested @Home stock options. Ramanathan Guha walked away from probably more than $4 million (a figure he is contractually forbidden to confirm) at America Online, which had acquired Netscape. Sabrina Berry's previous employer, CommTouch Software, was planning to go public. Berry walked away from all of her shares in that company. For Lou Montulli to join, he resigned from a hot, well-financed start-up called Geocast Network Systems. At the time Nirav Tolia left Yahoo!, the unvested options he left on the table were worth $10 million.

But, he insisted, it didn't matter to him if it was $20 or $20 million -- he has a dream to pursue.

"People are going to think I'm nuts," said Tolia, rolling his eyes.

"Can we not talk about this anymore?" said Guha. "It's painful to dwell on."

Six weeks ago, the engineering team walked to In-N-Out Burger for lunch. They crossed an overpass above Highway 101 and paused at the rail. "This team has been responsible for many of the key features of Netscape Navigator," Guha said. "These guys can point to any of these cars passing underneath and say: 'That driver has almost certainly used my code. And that driver. And that one.' We want to build something that has that kind of influence. We want to build a site that everyone will use."

So what's the idea that is inspiring so many to jump? Until this week, they've kept everything secret, operating under the code name "Round One." In fact, not even people who come in to interview for a position learn the idea their first day. Several hours of vague conversation seem to be leading up to the grand presentation, but alas, the applicant is sent home with a preliminary offer, setting out salary and options and title -- and no clear sense of what the company will do. If the candidate is sold on the team, then she or he comes back for a second round. Only at the end of that next day does she sit down in front of a whiteboard with Ravikant and Tolia and hear something like this:

As the Web becomes an infinite supply of goods and services, goes the pitch, people crave guidance on what and where to buy. So far, the great number of on-line shopping guides present quantitative, machine-sorted and machine-generated data: comparisons of product prices and specifications. But what consumers need (Ravikant and Tolia contend) is a recommendation that gets beyond that: the advice of someone they trust, someone just like them.

Their solution is a Web site, Epinions.com, which they envision as a sort of Zagat-for-everything, a site consisting entirely of consumer opinions or reviews of anything you can buy. Epinions.com itself will sell nothing at all -- it has no warehouse, no trucks on the back end. The money would come from deals Epinions.com cuts with companies that do sell things: every time an "E-pinion" prompts a reader to click "Buy," the company will earn a tiny commission on the resulting sale.

At the start, the E-pinions on Epinions.com will be culled from existing sources, guiding users through aggregations of expertise from the four corners of the Web. But the key to the whole idea is to make Epinions.com participatory, taking advantage of what I call the Tom Sawyer model. Write and post a short review of any product on Epinions.com, and you can earn a few pennies every time the review is read by another user. By letting readers rate the usefulness of the E-pinions, the most trusted ones will float to the top of every category. As Ebay is a marketplace for products, Epinions.com seeks to be a marketplace for ideas. If it catches on, like Ebay, then everything snowballs, and these hobbyist-reviewers function as sliver-time virtual employees who do all the work for you. "Everybody is an expert at something," they kept repeating around the Epinions.com office; they hope their site will be the place where everyone shares their expertise.

Similar logic has been welling up in the collective unconscious of Silicon Valley, and most E-commerce sites are already adding some form of E-pinion to their Web pages. Productopia, Deja.com, Cnet, Amazon.com -- everyone's hiring editors and bringing back the old-fashioned, well-trusted written word. Of course, sites that both sell goods and review them are subject to

criticisms of bias. Epinions.com.com would be the first company to start up doing E-pinions and only E-pinions, hoping to be as Jell-o is to flavored gelatin.

And that's it. Then again, what was Yahoo! at the start but just a Yellow Pages to the Web? The point is that job recruits with demonstrable talent are buying in to give it a go. And they know that in the short and unpredictable history of Internet businesses, success has often come down to getting the details right, fast.

"We don't need any more strategists," says Mike Speiser, a McKinsey consulting alumnus who learned to curtail his own inclination to heady analysis. This was 10 weeks ago.

"We need closers," agrees Nirav Tolia. "We need bulldogs."

"We need engineers who are execution machines," says Guha. "This is not a strategy play. This is an execution play."

First-generation start-ups raise small seed rounds to develop a "proof-of-concept version," at which point the start-up has to go back to dog-and-pony shows, negotiating for more money. Again the second generation is different, faster. Prototypes, demos, alphas -- the language of the hustle -- those words aren't even in the Epinions.com vocabulary. Every minute spent dancing for investors is a minute stolen from the finished product. Ravikant and Tolia's business plan (which consisted of 16 sparse slides) had no financial projections and no budget. They negotiated for $8 million, enough that they wouldn't have to go back for more until well after launch. They had no idea what it would cost to pull together the E-pinions they would need to stock the site, but they budgeted $5 million, just to be safe.

The group's biggest fear was the wrath of prominent venture capitalists who did not get an opportunity for a cut of the deal. A slightly rattled Tolia played me several phone messages left on his answering machine by furious V.C.'s. One of the advantages of combining August Capital and Benchmark is that they occupy the same two-story building. When the terms of the valuation were set with August, Ravikant and Tolia walked upstairs to Bill Gurley's office at Benchmark. Gurley had joined Benchmark only a month before, and Epinions.com would be one of his first big plays for his new employer.

"I need to know if you're in," Tolia said.

Gurley was calm. He recounted some of the internal discussion among the Benchmark partners. One partner, Gurley offered, had scored the idea a 6.5 and the team a 9.5 on a scale of 1 to 10. But he wouldn't tell them details of how the final vote was scored.

"So where does that leave us?" Tolia asked.

"Don't worry, it's done," said Gurley.

"Should I contact your lawyer or something? Draw up term sheets?"

"We don't do term sheets here," Gurley responded, offering his palm. "We do handshakes."

In those first crucial weeks, the Benchmark investment was like having a Hertz Club Gold pass. Every service provider is overbooked in Silicon Valley -- realtors, phone-system installers, furniture suppliers, headhunters. Dropping the Benchmark name was the way to impress vendors without sharing the idea. Everyone wants to do business with what may become the next Ebay, dreaming they'll be rewarded with friends-and-family shares when the time comes.

Of course, they can't do everything. There was that first weekend in their new digs, when the parts for their desks arrived from Home Depot -- 25 solid wood doors, 100 4-by-4 legs and 400 metal braces. Despite this formidable team of engineering talent, in eight hours of off-and-on tinkering they couldn't correctly assemble any desks. Finally they called a carpenter who had done this before, and he started building two desks an hour.

Fortunately, what they don't know about desks, they do know about code. Hiring staff with seasoned Internet experience has allowed Epinions.com to delegate like crazy. "We need to be told what to do but not how to do it," said Luke Knowland, who had done it before at Wired Digital.

"It would take four very bright first-generation engineers a full year to program this site," Guha estimated. "But because we've done it before, we can write most of the code in six weeks."

Everything is faster. Zero drag is optimal. For a while, new applicants would jokingly be asked about their "drag coefficient." Since the office is a full hour's commute from San Francisco, an apartment in the city was a full unit of drag. A spouse? Drag coefficient of one. Kids? A half point per. Then they recognized that such talk, even in jest, could be taken as discriminatory in a hiring situation.

On the business-development side, "I no longer have to waste months evangelizing," says Dion Lim, who has been cutting deals to aggregate opinion material from existing Web sites. A couple of years ago, the process would have been slow and painful. "Now, I just call, and they have a syndication rate scale and a preferred data-feed format," he says.

Meanwhile, Epinions.com has kept up constant reconnaissance on the competitors it will be jockeying with this fall, despite those competitors' best efforts to keep their strategies secret. The Valley has what it calls the "whisper circuit," which is not so much wild gossip as the ability to call in old favors and threaten to pull people's teeth. A lot of whisper-circuit surveillance leaks out the back door of companies through their engineers, who often refuse to lie on principle or are very bad at it when they try.

Through the whisper circuit the company learned that one potential competitor was trying to wiggle out of a partnership so that it could overhaul its product toward something like Epinions.com. The team learned that a top job applicant, on the verge of accepting its offer, had been grilled so hard by another venture capitalist that he cracked and spilled the Epinions.com idea. (The offer was retracted.) Another V.C. was trying to discredit Epinions.com by telling people he'd turned down its deal, which he'd never seen.

And it was on the whisper circuit that the Epinions.com team learned that Amazon.com had started flying writers and editors to Seattle and offering them positions as category editors to cover a wide range of products -- food, video games and so on. The whispering was specific -- that Amazon.com was offering a $65,000 salary, a 10-percent signing bonus and options that could be worth $1 million in four years. (Amazon declines to confirm or deny those details.) The entrance of Amazon.com onto the scene seemed like bad news for Epinions.com. Everyone lost sleep that night.

But their exuberance returned with dawn. "Amazon is supersmart," said Naval, marching out of Benchmark Capital's Sand Hill Road offices with his teammates in tow. "But we're a start-up. We've got focus. Nobody will be able to move as fast as us. I pity the fools!"

"Other than that first night with Amazon, I haven't lost a single hour's sleep over our competition," Nirav Tolia said four weeks ago, when he was only rationing himself four hours a night anyway. "All the sleep I've lost has been over our internal conflicts."

Indeed. By hiring so many bulldogs and execution machines who were all used to being No. 1, Tolia feared the competition between employees would tear the company apart. For the first month, without a product to obsess about, they focused on their responsibilities, and the closest proxy for their responsibilities was their title. That they had given up so much money to be here made them a little testy -- they wanted constant assurance that their career decision wasn't a mistake.

Everyone kept demanding an org chart, preferably with his or her name in a box near the top. In first-generation Web companies, the premise was that no task was beneath you: you did whatever it took to succeed. This wisdom seems not to have been passed down. "How do we go from a team of champions to a championship team?" Tolia kept asking.

Bill Gurley had turned Naval Ravikant on to complexity theory. "Truly alive systems exist only at what is called 'the edge of chaos,'" Ravikant said in one meeting. So though it was causing him to lose hair, he was running the company on the edge of chaos, rallying people to risk making mistakes. "I don't want to be a company that plays it safe." He gave his employees an org chart, and then another one every week. Their titles became vague, more fungible.

Going through the start-up experience usually bonds a team together. There are those occasional "Breakfast Club"-like days when workers' inner lives get revealed to each other. This bedrock of goodwill gets the team through hard times later. Going through it at second-generation speed only allows brief bonding moments. Mike Speiser covered Internet companies as an investment-banking research analyst, but he hadn't worked at one before Epinions.com. A few weeks ago he said: "You know what I miss? I miss those good old days, when we had the run of the place at August Capital, hanging out and brainstorming." Those halcyon days, six weeks earlier.

Nirav Tolia came up with what he thought would be a solution to distract the champions from their fiefdoms. At the all-hands meeting five weeks ago, Tolia announced that he would shave his head if the company met its offical launch date. This is a guy whose E-mail was "the-

face@yahoo.com" for a good reason -- a hair is never out of place on his head. "When you're wondering why you're here at 2 in the morning, think about my cue ball," he said.

Everybody howled with laughter. Then Aleksander Totic went over to his computer and pulled up an ancient Web page, from way back in 1994. Digital photographs were posted from the period when the original Netscape engineers shipped Navigator 1.0. There at the top of the page was a picture of Lou Montulli -- who is even more of a sharp dresser than Tolia -- with his head completely shaved. Then everyone really laughed.

"If we're going to be a second-generation Web company, Nirav's going to have to come up with something better," Totic chuckled.

Watching an instant company get built has been slightly disorienting. Silicon Valley is sustained by the myth that you can come here from anywhere with sheer smarts and a firm handshake and make good. Second-generation Internet companies seem to seriously tip the favor to those already here. Four weeks ago on the whisper circuit, Tolia learned that an entrepreneur from Arizona was in town to shop a business plan for a company, called Publicopinion.com, with some of the same basic concepts, like rating reviews. Tolia took the challenge seriously -- Publicopinion.com already had a prototype on line and needed financing to take the next step. But the truth is that if the guy from Arizona is only now trying to get an audience with venture capitalists, he probably doesn't have a chance to catch up.

After Ravikant left @Home, he would still see old colleagues at parties. The comment he heard from them time and time again was: "It's amazing you walked away from all that money. I wish I was brave enough to take the chance."

So why did they walk away from all that money? Take it as a given that they all believe in the commercial viability of the idea, but beyond that, their comments are all over the map. One guy talked blatantly about wanting "plane money," and how you weren't even a player in the Valley with less than $100 million. A few plead that they just want to live the start-up experience, and the money they've earned has bought them the unconditional freedom to pursue that dream.

Now they are at the takeoff point, and their first-generation experience can't help them. The next 12 weeks will be an even greater challenge: the goal now is to turn a brand-new site into a hive, one that has 80 percent of all E-commerce categories covered well in advance of the crucial Christmas buying season. They are blindly gambling that they have the right incentives and the right filtering mechanisms in place. Ready. Fire. Aim.

EXHIBIT K

TechCrunch

Benchmark Capital Advises Startups To Conserve Capital, Look For Opportunities

Michael Arrington
Thursday, October 9th, 2008

Yesterday Sequoia Capital and Ron Conway communicated with their portfolio companies to guide them through troubled times. Today Benchmark Capital joins the fray, with what a source says is an email from General Partner Bill Gurley to their portfolio companies (See our interview with Gurley and new partner Matt Cohler from earlier this year).

Like the advice being given by Conway and Sequoia Capital, Gurley is urging his companies to remain calm, but get tight control of their finances, starting now.

Gurley also says for companies to expect "across-the-board reductions" in valuations, and a tough market for raising money – "Basically, the cost of capital is going way up." Hedge funds are probably out of the picture for startup financings, he says, and corporate, strategic and angel money will decline.

Gurley also notes that major opportunities will become available to those who "play the game frugally." He says "The real key is to have a keen understanding of the game on the field and to be the one that adjests swiftly, rather than the one that moves after it's become blatantly obvious to everyone else it's time to move."

The full memo is below.

The recent downturn in the public markets (now known affectionately as "the U.S. Financial Crisis") is obviously on everyone's mind. Some of the entrepreneurs and executives with which we are privileged to work have reached out and asked what this means for private companies, the VC world, and Benchmark. As such, I thought t might be a good idea to send you our thoughts on the current situation, and ispecifically what it means for venture backed companies.

From a high level, this downturn is different from the Internet bubble of 1999. First, the last downturn started in our backyard. We were the speculators; this time it is someone else. This means that the "crash on the beach" wont be nearly as severe. In the Internet crash, many times the customer was actually another VC-backed company and as such, there was a strong negative spiral. That said, while this downturn might be shallower than last; it could last longer in terms of absolute time. The American consumer is super-leveraged which wasn't true before the 1930's or the 1970's. The overall economy will have trouble gaining momentum ith this debt anchor, and my best guess is the contraction is not finished yet. As wsuch, it might take a long, long time before we see glory days again.

Like every major shift in the environment, this one will offer opportunities as well as risks. JP Morgan was able to buy two great assets as substanti al discounts with government assurances, precisely because they played the game f rugally while others were more risk seeking. The real key is to have a keen understanding of the game on the field and to be the one that adjusts swiftly, rather than the one that moves after it's become blatantly obvious to everyone else it's time to move. Many companies that thrived post 2001-2003 were simply "Last Man Standing" in their ndustry. It doesn't sound all that glamorous, but it was the exact right strategy to ideploy at the time.

It terms of defining our current situation, let's start with the impact on the actual capital in "venture capital". The institutions (limited partners) that typically invest with Benchmark and other venture funds are not the ones on the cover of the financial news everyday. In fact, these limited partners are typically quite conservative and have a very long-term perspective. Certainly, new precedents are being set every day, so it's hard to say the word "never" in this environment. Still, e are unaware of any situation where capital availability for us or any other VC wfirm is in question.

With that said, I think access to other forms of capital that have recently been available to venture backed companies may be dramatically impacted. As an example, one would naturally assume that the hedge-fund rounds of late-2007 and early-2008 are no longer available. Additionally, we would expect that strategic/corporate investments, venture debt facilities, and even angel financings could all contract considerably. In all previous economic downturns, this was certainly the case.

One would also expect across-the-board reductions in follow-on financing valuations. As financial markets deteriorate three things happen. First, investors get nervous. As such, they tend to "choke up on the bat" and be more conservative. We have already witnessed skittishness on behalf of follow-on funders, as well as a lengthening of the time it takes to complete a fundraising. The second reason valuations will fall is that the public market comparable valuations have fallen materially. This will have a direct impact on exit prices, be they an eventual I.P.O., or

M&A. In fact, I was recently at a gathering of corporate development execs, and their number one concern was that private company executives have not realized that the scoring system was just reset (expectations too high). Lastly, investors are more concerned that a protracted economic downturn will negatively impact each private company's specific results, increasing the likelihood of a revenue or cash flow miss.

If we leave you with one message it would be this: financings as we know it just got a whole lot tougher. Basically, the cost of capital is going way up. This is, of course, a sweeping generalization. Some of you have tons of cash, and some of you are profitable, so the immediate impact will obviously be less. That said, if you do need to go to the market for capital in the foreseeable future, you should consider that the environment will be much less hospitable than it has been for the past 3-4 years which have actually been pretty benign), and that this less hospitable environment (could persist for time measured in years not quarters.

Another obvious strategy is to extend the runway. Hopefully, everyone is aware of exactly how many "months of cash" they have at their current cash level and burn rate. If you have a method for increasing this runway, we think you should do it, and quickly. . This serves two purposes. First, it gives you the opportunity to outlast the competition, and second, it puts more time between now and when you are forced to re-enter the capital markets. One could argue you should draw down your bank lines right now. Why? When you need the money, the fundi ng source may just say no (they did last time). What are you going to do? Sue them? Take away their warrant coverage? So what. If they get cold feet – you won't see the cash, I don't are what the term sheet says. The bottom line is that you should watch "months of cash" as your most important variable.

Be calm, but pragmatic. The purpose of this letter isn't to send everyone off in a panic. It's simply to convey that the rules of the game have changed. One key problem is that during these market downturns, most people don't adjust quickly enough. As an example, not hiring heads that were previous TBH isn't really a reduction in expenses. Also, 10% cuts rarely lead to anything other than multiple rounds of cuts, which have a harrowing affect on culture. It's easy to mentally nderstand this is the right thing to do. It is ten times harder to make the actual udecisions to affect change. These are extremely hard decisions.

You may know that I am involved with Zillow. They did a survey of their users to ask what they thought was the current impact on home prices across America. The average answer was that homes in America were down 20-30% in value. The survey then asked what the user thought had happened to the value of their own home. Miraculously they thought their own home had retained value against the odds! Surprised? It is human nature. As most of you read thi s, you will be thinking in the back of your mind why your company is different than the average company like these homeowners) and why you are the exception that doesn't need to take (action right now. This could be a rationalization.

Recently, I spoke with an entrepreneur who as a CEO during the dot-com crash and oversaw a headcount reduction from 130 to 28 (through two major layoffs), and eventually back to profitability and an IPO. If you think a 10% layoff is tough, imagine laying-off 78% of your employees. It is one of the hardest things I have ever seen anyone do. I recently asked him how that experience has shaped the way he ould advise people on running a startup. He had a list at the tip of his tongue (included now):

1. You don't realize how fast things spin out of control. There are self-reinforcing negative affects in a downturn.
2. Don't spend money until you have to
a. Don't move out of your office until you are sitting on top of one another
b. Don't hire any incremental employee until you just can't stand it
c. Don't get more capacity in your data center until your site is going down
3. Better to be "late to the party" than to be early and run out of money
4. Line item review of the budget every month (legal, accounting, everything)
5. Not just a CEO mindset, but a company mindset
a. Everyone must buy into the process
b. But in a calm way – not run for the hills
6. Create 2 or 3 different burn scenarios – know at any point in time how many months of cash is left.

I include this mainly because it highlights a "very high bar" in terms of frugality. It's one thing to say you don't "waste money" and another to live as lean as you possibly can. As mentioned before, in market downturns, frugality is not only a virtue, but also it could be the difference between survival and failure.
Many great companies emerged from the 2001-2002 time-frame. Companies built during tough times typically have incredible focus, great cultures, and a true desire to compete and win in all environments. For many, this downturn period could be opportunistic: a real chance to differentiate yourselves from the other players in the market. However, it is imperative to understand that the environment has just shifted to one where differentiation will likely be defined not by aggressiveness, but rather by adaptability.

CrunchBase Information
Bill Gurley
Benchmark Capital
Information provided by CrunchBase

EXHIBIT L-1

Meeting in April 2011

Joe Greenstein
If I had a boat, I'd take it out for dinner... — with Dave Goldberg, Reid Hoffman, Kevin Chou, bret taylor, Mike Cassidy, Max Levchin, Nirav Tolia and Dion Lim.
Like · Comment · Share · via mobile

Siqi Chen, Hiten Shah and 10 others like this.

Jeremy Liew The boat appears to have been overrun by zombie entrepreneurs
April 20 at 10:43pm · Like · 1

Album: Photos of Max Levchin in Mobile Uploads
Shared with: Public

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Report This Photo

Zero Motorcycles
zeromotorcycles.com

EXHIBIT L-2

Meeting in September 2011

EXHIBIT L-3

Meeting in October 2011

EXHIBIT L-4

Dinner in November 2011

Nirav Tolia
Thanks Bret, for a great November CEO dinner! -- with Bret Taylor, Adam D'Angelo, Dion Lim, Michael Birch, Jeremy Stoppelman, Dave Goldberg, Max Levchin, Thomas Layton and Trevor Traina.
Like · Comment · Share · November 17

Brett Hellman and 9 others like this.

Nirav Tolia Restaurant is Manresa, the Michelin 2-star in Los Gatos
November 17 at 10:19am · Like

Linda Bahnson Avey Are women ever invited? :)
November 17 at 10:27am · Like

George Bounacos If they have larger p---, err, portfolios.
November 20 at 6:24am · Like

CERTIFICATE OF SERVICE

I, Jessica Farinas, declare that I am over the age of eighteen (18) and not a party to this action. My business address is 1580 W. El Camino Real, Suite 13, which is located in Mountain View, California, where the service described below took place.

On December 7, 2011 at my place of business at 1580 W. El Camino Real, Suite 13, Mountain View, California, a copy of the following document(s):

PLAINTIFF'S FIRST AMENDED COMPLAINT

addressed to:

Mr. Laurence F. Pulgram
Fenwick & West, LLP
555 California Street, 12th Floor
San Francisco, CA 94104
Attorney for Defendants Nextdoor.com, Inc. Nirav N. Tolia and Sarah Leary

Benchmark Capital Partners VII, L.P.
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Mr. Nirav N. Tolia
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San Francisco, CA 94104

Ms. Sarah Leary
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Was served by the following means:

[] BY FIRST CLASS MAIL: I placed the above documents in a sealed envelope for deposit in the United States Postal Service, with first class postage fully prepaid, and that envelope was placed for collection and mailing on that date following ordinary business practices.

[] BY ELECTRONIC MAIL

[ ] BY FACSIMILE TRANSMISSION: I transmitted the above documents to plaintiff's counsel by facsimile transmission to the FAX telephone number listed for each party and obtained confirmation of complete transmittal thereof.

[ ] BY CAUSING PERSONAL SERVICE: I placed the above documents in a sealed envelope. I caused such envelope(s) to be handed to our messenger service to be delivered by hand to the address(es) listed.

[ ] BY PERSONAL SERVICE: I placed the above documents in a sealed envelope. I delivered each of said envelopes by hand to the address(es) listed.

[X] BY OVERNIGHT EXPRESS: I placed the above documents in a sealed envelope. I caused such envelope(s) to be delivered to the address(es) listed by overnight express.

[] BY CERTIFIED MAIL WITH RETURN RECEIPT: I placed the above documents in a sealed envelope for deposit in the United States Postal Service with postage prepaid to be delivered by certified mail with a return receipt requested to the address listed above.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on 7 December, 2011, at Mountain View, California.

Jessica Farinas